

MARKET REVIEW

Global Market Strategy, NIM Solutions

December 2023

Macroeconomic developments

In the US, consumer activity was robust in December, with core retail sales growing 0.4% MoM.

The unemployment rate fell unexpectedly to 3.7% from 3.8% and jobless claims remained subdued. Headline inflation edged lower to 3.1% YoY from 3.2%, core inflation was unchanged at 4%, and the Fed's favoured gauge of inflation, the core personal consumption expenditure index, showed a milder increase than anticipated, with a 0.1% MoM rise in November. Simultaneously, the Q3 economic growth was adjusted downward to an annualized rate of 4.9%, revising the previous reading of 5.2%. All this information supported the markets' prevailing belief that the Fed has concluded its phase of raising interest rates and is poised to implement cuts in 2024. On this note, the Fed left interest rates unchanged and signalled prospects of rate cuts in 2024 in a somewhat notable dovish pivot at its December FOMC meeting. Fed Chair Powell conveyed that the central bank acknowledges the potential hazards of maintaining rates at restrictive levels for an extended period, as reflected in the December's new 'dot plot', which showed a decline in the median Fed funds rate expected at the end of 2024 from 5.1% to 4.6%. All in all, the median projection is showing three rate cuts for 2024, far from market expectations,

Eurozone's industrial production fell 0.7% MoM in October and retail sales were flat, up just 0.1% in October. Q3 GDP was again revised down to -0.1% QoQ from a second estimate 0.1%. The Eurozone Composite PMI came in at 47.6 in November, suggesting a further contraction in the region's economy in Q4. On the other hand, the favourable inflation news from the US extended into the Eurozone, with headline inflation falling to 2.4% YoY in November from 2.9%, core inflation dropped to 4.3% YoY from 4.7%. The ECB kept its policy rates unchanged at its December meeting, maintaining the deposit rate at 4.00% and the main refinancing rate at 4.5%. Somewhat unexpectedly the ECB didn't defer the decision on Pandemic Emergency Purchase Programme (PEPP) reinvestments until the following year. Instead, it declared a shift from full to partial PEPP reinvestments commencing in July 2024. Throughout this period until the conclusion of 2024, the PEPP portfolio will witness an average monthly reduction of EUR 7.5 billion, ultimately leading to its discontinuation.

The UK's Q3 GDP growth rate was revised down from 0.0% QoQ to -0.1%. Composite PMI expanded faster in December at 51.7. Inflation fell to 3.9% YoY in November from 4.6%, core inflation dropped to 5.1% YoY from 5.7%. The BoE left

the policy rate unchanged at 5.25% while the development in inflation sparked optimism that the BoE may have concluded its series of interest rate hikes but the central bank's Monetary Policy Committee remained divided on the prospect of further tightening.

In China, industrial production rose to 6.6% YoY in November. Retail sales increased to 10.1% in November. Manufacturing PMI remained contracting at 49.0 in December, services PMI expanded to 50.4. Headline inflation fell from -0.2% YoY to -0.5% in November, core inflation stayed flat at 0.6%. In Japan, the Tankan survey signalled stronger Q4 for manufacturing and services sectors. Headline inflation moved lower to from 3.2% YoY to 2.8% in November, core inflation fell to 3.8% YoY from 4.0%.

Market reaction

Globally, equity markets witnessed a resurgence in buying over the last two months, with a broad market breadth in December, particularly favouring smaller cap stocks.

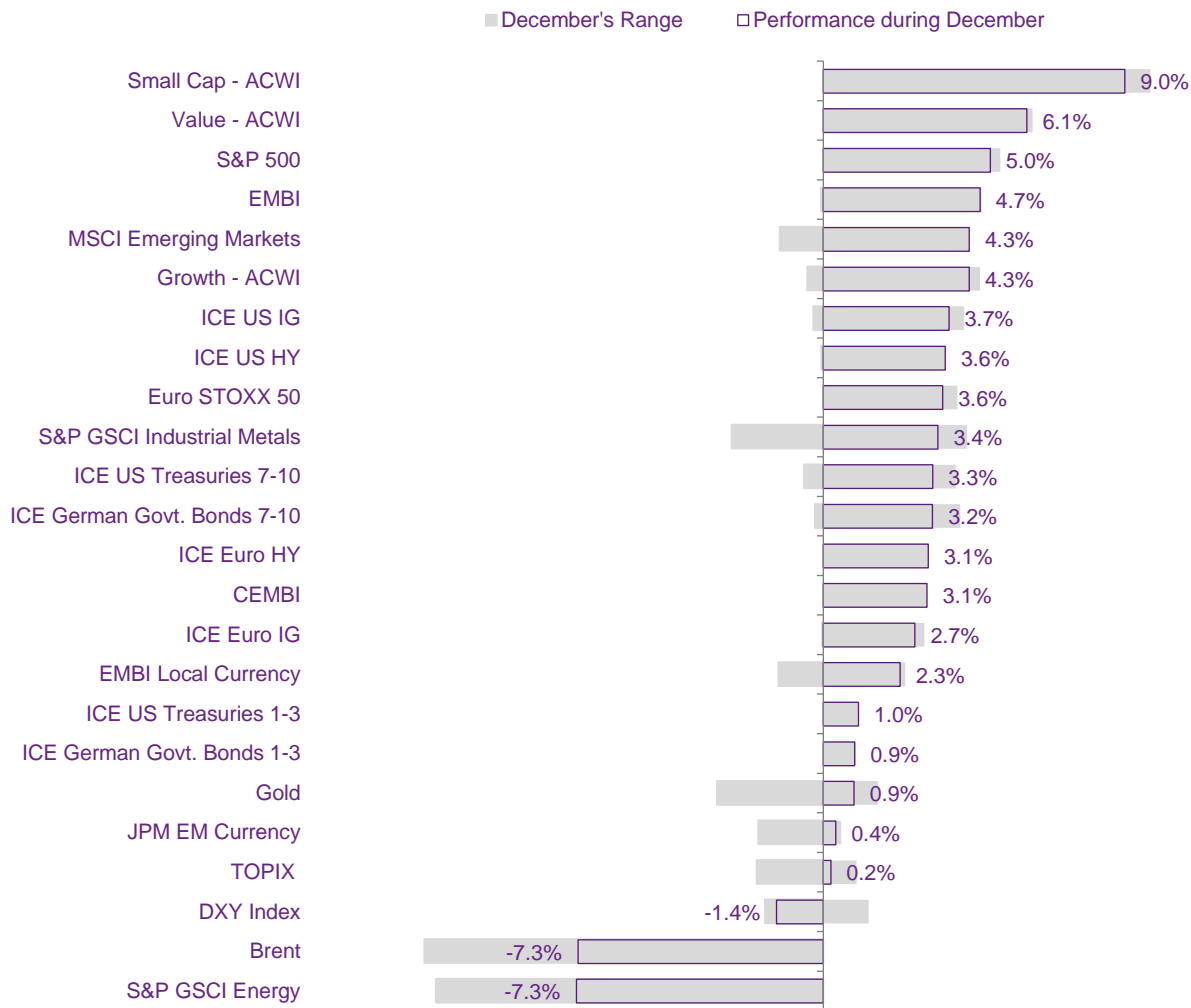
The US and EMU markets had a positive month, experiencing strong gains in rate-sensitive sectors such as real estate and in cyclical sectors such as industrials and materials. Defensives and energy lagged in both regions, with the latter being the only sector with negative performance for the month. Moreover, small-cap stocks experienced another strong month of returns in December, as reflected by the 9.0% gain in the MSCI ACWI Small Cap Index, after rallying 9.8% in November. Excluding China, emerging markets performed well, driven by Asian markets that benefited from their technology overweight and outsourcing in India, South Korea, and Taiwan. However, challenges persisted for China, impacting emerging markets' overall performance. Latam also experienced a strong month of performance, led by Brazil.

Sovereign bond yields dropped again across regions, with the US 10-year yield falling by 44 bp to 3.9%, the Bund by 47bp to 2.0% and the BTP by 55bp to 3.7%. For its part, the US 2s/10s spread stayed relatively flat and ended the month 4bp tighter at -37bp. Credit markets registered positive returns, with EM HC leading followed by US IG, and with high yield spreads tightened significantly. Lastly, the US dollar weakened against all other major currencies: losing 0.64% vs EUR, 0.28% vs. GBP, 4.21% vs. JPY. Meanwhile Brent oil and European natural gas prices fell by 7.3% and 22.5%, respectively, and precious metals were mixed, with gold advancing 0.9% while silver fell 4.9%



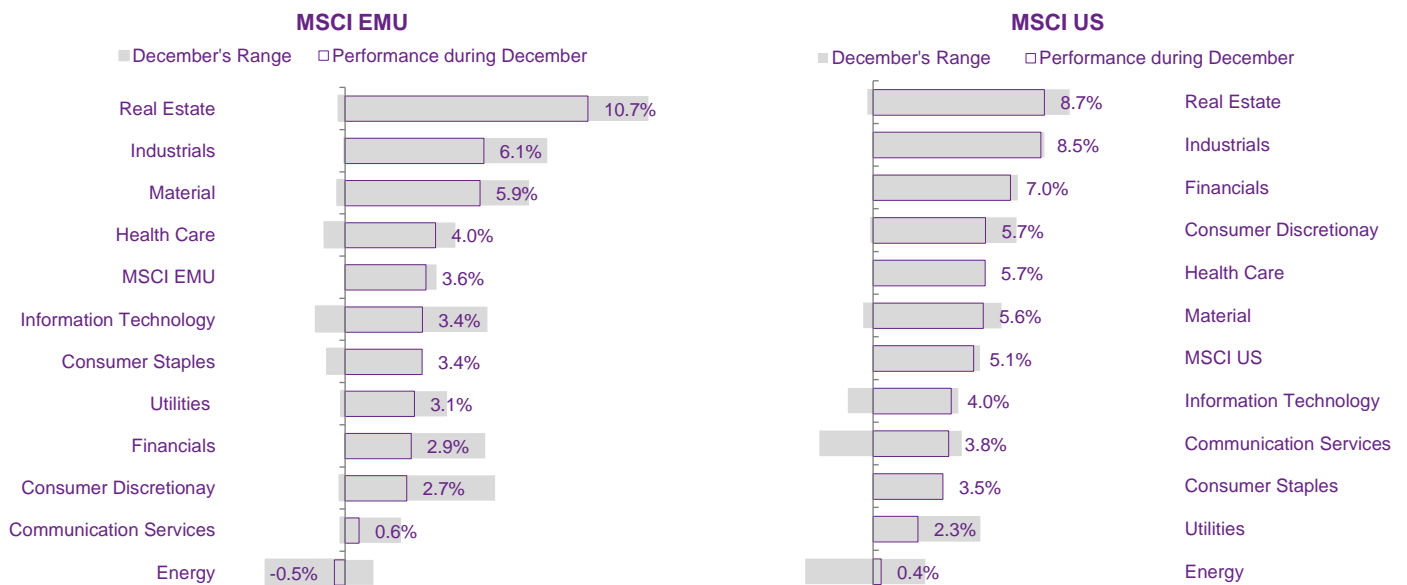
Cross Asset Performance in December – Local Currency

Past performance information presented is not indicative of future performance.



Sector Performance in December – Local Currency

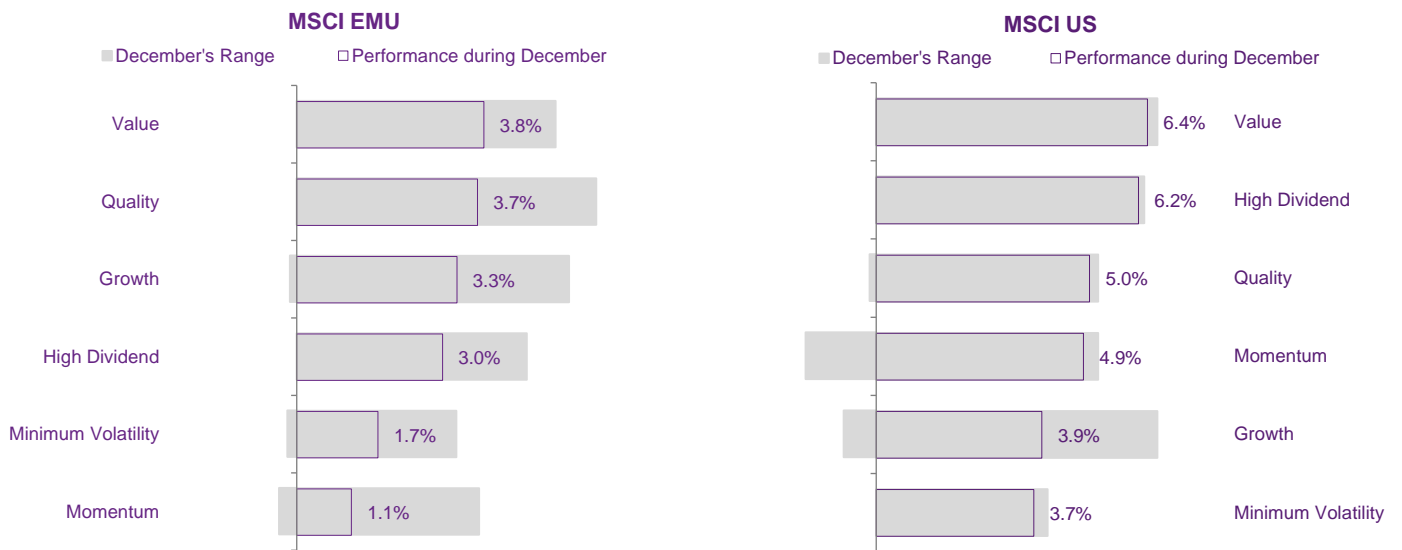
Past performance information presented is not indicative of future performance.





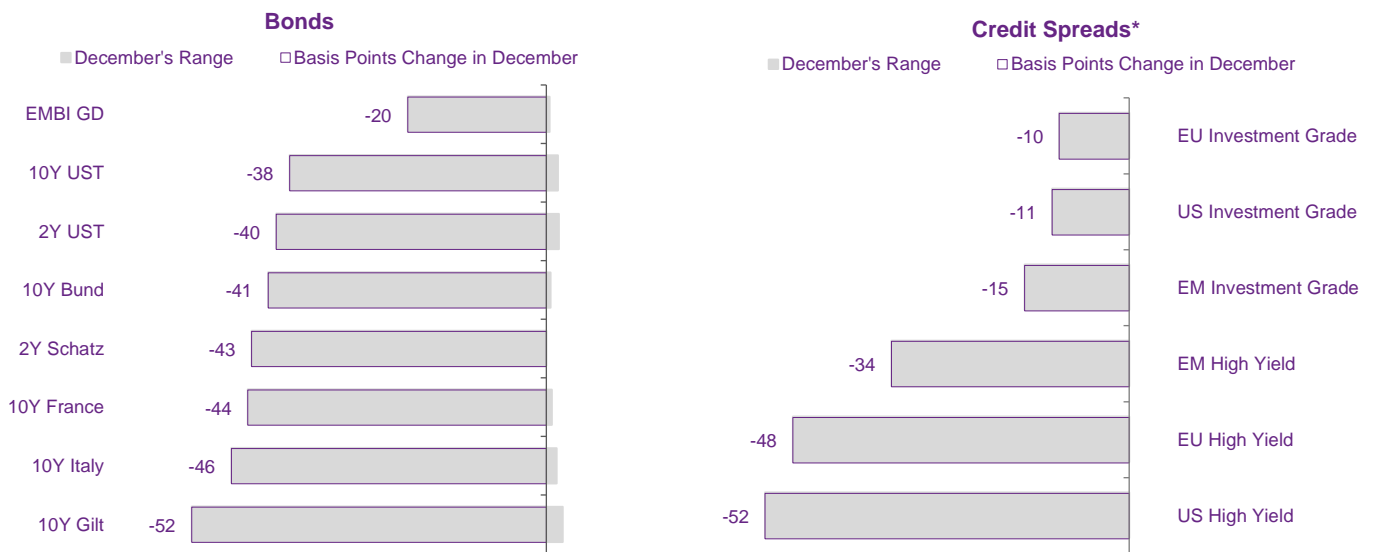
Style Performance in December – Local Currency

Past performance information presented is not indicative of future performance.



Net Yield Change in December

Past performance information presented is not indicative of future performance.



*Credit spreads are OAS and correspond to Bloomberg indices



This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.

To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website (im.natixis.com/intl/intl-fund-documents)

In the E.U.: Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Germany: Natixis Investment Managers International, Zweigniederlassung Deutschland (Registration number: HRB 129507): Senckenberganlage 21, 60325 Frankfurt am Main. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Nederlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano nº90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Covendrum Stockholm City AB, Kungsgatan 9, 111 43 Stockholm, Box 2376, 103 18 Stockholm, Sweden. Or,

Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium.

In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10, ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates

In Japan: Provided by Natixis Investment Managers Japan Co., Ltd. Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No.425. Content of Business: The Company conducts investment management business, investment advisory and agency business and Type II Financial Instruments Business as a Financial Instruments Business Operator.

In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

In Singapore: Provided by Natixis Investment Managers Singapore Limited (NIM Singapore) having office at 5 Shenton Way, #22-05/06, UIC Building, Singapore 068808 (Company Registration No. 199801044D) to distributors and qualified investors for information purpose only. NIM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. Mirova Division (Business Name Registration No.: 53431077W) and Ostrum Division (Business Name Registration No.: 53463468X) are part of NIM Singapore and are not separate legal entities. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only.

In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only .

In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

In Colombia: Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

In Latin America: Provided by Natixis Investment Managers International.

In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627.

In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

In Brazil: Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Past performance information presented is not indicative of future performance.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part.

All amounts shown are expressed in USD unless otherwise indicated.

Natixis Investment Managers may decide to terminate its marketing arrangements for this product in accordance with the relevant legislation.